Manitoba

TEACHERS' RETIREMENT ALLOWANCES FUND

REPORT TO MEMBERS

1988

89-02191/

1988 REPORT TO MEMBERS

THE TEACHERS' RETIREMENT ALLOWANCES FUND BOARD

James G. Oborne, Chairman — William E. Lavery, Vice Chairman

TEACHER MEMBERS	SCHOOL TRUSTEE MEMBERS
Anne Monk	Stephanie Shumilak
Murray Smith	Ray Whiteway
George Strang	

The Teachers' Pensions Act, and preceding Acts dating back to 1925, were enacted for the purpose of providing the framework under which Manitoba public school teachers might find financial security in retirement.

The Teachers' Retirement Allowances Fund Board is constituted under The Teachers' Pensions Act to administer that Act, which also provides for a specifically constituted Investment Committee with responsibility for investment of the Fund's assets.

STATEMENT OF MANAGEMENT OBJECTIVES

1. To invest the assets of the Fund in a manner that will ensure security of capital on a real value basis making every effort, within an appropriate asset-mix policy, to earn a favorable real rate of return.
2. To ensure that all benefits are determined in accordance with the Act and paid on a timely basis.
3. To provide plan members with accurate information about the pension plan necessary to enable them to make informed decisions with respect to retirement and to the form in which earned benefits will be paid.
4. To make safekeeping arrangements for the Fund's investments that ensure their safe custody.
5. To maintain the financial and historical records of the Fund and to keep them current at all times.
6. To administer the affairs of the Fund in an effective, economical and socially responsible manner.

You are welcome to direct your enquiries regarding your status as a member of this plan to the Board office. In order that we may more rapidly answer your enquiries, we suggest that, when doing so, you state the subject you wish to discuss so that we may refer you to the appropriate staff member. It would also expedite matters if you advise as to your social insurance number. Members of the Plan may visit the office at any time during business hours to examine the Teachers' Pensions Act and amendments thereto, the annual information return to The Pension Commission, the most recent actuarial valuation report, and the latest audited financial statements.

111 - 1200 Portage Avenue Winnipeg, Manitoba R3G 0T5
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THE TEACHERS' RETIREMENT ALLOWANCES FUND
REPORT TO MEMBERS
1988

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THE TEACHERS' RETIREMENT ALLOWANCES FUND
REPORT TO MEMBERS
1988

This report relates to the operations of The Teachers' Retirement Allowances Fund for its fiscal year ended on December 31, 1987. In this connection, we have attached a copy of the Provincial Auditor's Report on the Accounts for that period as well as the related financial statements. Some highlights taken from those statements are:

	1987	1986	% Increase
Investments	$524,303,273.	$466,042,597.	12.5
Investment Income	$ 47,681,911.	$ 46,935,383.	1.6
Rate of Investment Return	9.9%	11.25%	n/a
Teacher Contributions	$ 33,666,816.	$ 32,889,796.	2.4
Contributors	14,115	13,763	2.6
Contributions and Other Payments by Province of Manitoba and Employers	$ 22,576,838.	$ 20,499,226.	10.1
Pension Payments	$ 41,884,834.	$ 36,771,093.	13.9
Pensioners and Other Recipients	3,970	3,733	6.3

PENSIONS:

During the year, 330 income benefits were granted compared to 291 in 1986, as follows:

	1987	1986
Regular Service Pensions		
Ages earlier than 60	190	168
Ages 60 and over	107	96
	297	264
Annuities to retired teachers not entitled to pensions	33	27
	330	291

149 of the total of 297 regular new pensioners chose a plan of payment providing for all or part of the pension to continue to be paid after the retired teacher's death for the lifetime of a beneficiary. 17 chose life pensions guaranteed for a minimum period of either 10 or 15 years, and 131 selected a basic lifetime pension. 78 pensioners who retired before age 65 chose to integrate either or both of the Old Age Security and Canada Pension Plan pension with

their pension from the Fund. Following is a breakdown of new 1987 regular service pensions according to years of pensionable service, with comparative 1986 figures shown in brackets:

Years of Service	No. of Pensioners		Average Monthly Basic Pension	
1 - 9.9	7	(7)	$ 119	($ 269)
10 - 14.9	30	(28)	501	(533)
15 - 19.9	39	(44)	794	(784)
20 - 24.9	53	(45)	1,018	(1,097)
25 - 29.9	52	(31)	1,470	(1,235)
30 - 34.9	49	(56)	1,827	(1,939)
35+	67	(53)	2,073	(2,151)
1 - 35+	297	(264)	$1,365	($1,369)

Following is a summary of the different types of income benefits being paid at the end of 1987 and 1986:

	1987	1986
Regular Service Pensions -		
to retired teachers	3,494	3,291
to dependents or estates of deceased retired teachers	111	105
Disability Pensions -		
to retired disabled teachers	108	112
to dependents or estates of deceased retired disabled teachers	6	5
Death Benefits -		
to surviving spouses or children of deceased teachers	65	53
Special Annuities -		
to former teachers of retirement age not entitled to regular pensions	186	167
	3,970	3,733

Of the teachers to whom, or in respect of whom the above noted benefits are being paid 2,813 are female and 1,157 are male (1986 - 2,675 female, 1,058 male).

INFORMATION AND COUNSELLING

A summary of the benefits available to plan members is contained in a general information booklet which has been distributed to all teachers. If, for some reason you have not received a copy of this booklet or if your copy has been misplaced, you can request a new one by contacting your school division office.

During the year, staff members of the Board have corresponded with many individual teachers. During 1987 there were 519 plan members who made appointments to visit the Board office for assistance in formulating retirement plans or to obtain information concerning provisions for reinstatement of refunded service, reciprocal transfer agreements or other aspects of the plan of specific interest to them. Teachers are encouraged to arrange retirement interviews so that they and their spouses more fully understand key decisions regarding the selection of an optional type of pension payment or integration of their pension with Federal Old Age Security and Canada Pension Plan benefits.

In 1987, staff members acted as resource persons for pre-retirement planning seminars organized by The Manitoba Teachers' Society. These seminars were held in Steinbach, Stonewall, Dauphin, The Pas and Winnipeg. About 300 teachers planning their retirement registered to attend. Many of them attended with their spouses. Staff members can be made available to any group of teachers who wish assistance in conducting general information meetings related to their pension plan.

Special programs such as the one which allows teachers to convert their pre July 1980 service to a 5 year average in the eventual calculation of their pension continue to be a source of enquiries. Many current and former Manitoba teachers have also enquired regarding provisions recently enacted which eliminate the July 1973 date from reciprocal agreements and which allow former teachers to reinstate their refunded service for the purpose of transferring this service to their new out of province teacher pension plan. Information concerning these or other programs may be obtained by direct enquiry to the general office.

Computer systems have been designed to provide each active teacher with a personalized benefit statement. These statements are scheduled to be distributed to each teacher by mid June each year. It is hoped that the statement will assist teachers in planning for the future. Teachers nearing retirement should contact the Board office for more detailed pension information which cannot be incorporated into the benefit statement.

INVESTMENTS:

As may be noted from the financial highlights, the invested assets of the Fund increased during the year by almost $58,000,000. This increase, along with over $25,000,000. of funds resulting from maturing securities, was invested under the direction of the Investment Committee comprised of the Chairman of the Board, a "teacher" member of the board, Murray Smith, and the Provincial Deputy Minister of Finance. The investments chosen by the Committee may be summarized as follows:

	% of Total	Cost (thousand $)	Average Yield %
Bonds - Governments.....	12.0	$ 9,983,	10.51
- Canadian Corporations..	16.9	14,106,	10.97
Total Bonds.....	28.9	24,089,	10.78
Mortgages - Insured, NHA (regular)	35.6	29,682,	10.57
- Insured, NHA (Index Linked)...	4.3	3,567,	4.63 + CPI
- Uninsured.....	9.0	7,500,	10.83
Total Mortgages.	48.9	40,749,	10.47
Total Fixed Income	77.8	64,838,	10.59
Equity Investments			
Real Estate.....	2.7	2,271,	*
Direct Natural Resources.....	7.7	6,391,	*
Venture Capital.....	10.5	8,787,	*
Total Equity....	20.9	17,449,	
Total Longer Term Investment...	98.7	$82,287,	
Short Term Investment.....	1.3	1,050,	
Total New Investment.....	100.0	$83,337,	

* Rates of return to be achieved on these 3 asset classes cannot be predetermined as they are obtained through future rentals, product sales , and net capital gains at time of sale. Over the longer term, investments of these types have historically yielded greater returns than fixed income investments.

Although there was a net increase in the amount invested in every asset class, the percentage of total investments representing longer term fixed income securities increased by approximately 3.5% to 57.7%, offset by a decrease in short term investments of 2.5% and of 1% in non-fixed income investments.

As investments in real estate, mortgages, venture capital and direct acquisition of natural resource assets require advance commitment of funds which are paid out during or on completion of construction or as required to fund venture capital or natural resource acquisitions, over $44,000,000. of unfunded commitments were in place at the end of the year, as follows:

	Amount (thousand $)	Average Yield
Mortgages:		
- Insured, NHA - regular	$ 2,077,	10.89%
- Insured, NHA - index linked	21,433,	4.67% + CPI
Real Estate Equity	7,483,	
Direct Natural Resources	7,464,	
Venture Capital	6,039,	
Total Commitments	$ 44,496,	

The rate of return on average net assets of the Fund decreased in 1987 to 9.9% from 11.25% in the preceding year. Reduced yields on longer term fixed income investments as a result of maturity of investments made in the early 1980's, when interest rates were exceptionally high, account for the majority of the decrease in overall portfolio yield.

ACTUARIAL VALUATION:

Under the Act, an actuarial appraisal of the Fund is made every 3 years. The most recent appraisal as at January 1, 1987 disclosed an actuarial surplus of $29,412,601. as you will see on the accompanying Valuation Balance Sheet.

The valuation is concerned only with the assets and liabilities attributable to "Account A" because all other components of the Fund are structured in such a manner to make them self-supporting. Essentially, "Account A" is supported by teacher contributions and investment earnings, and is responsible for the payment of

one-half of the cost of pension benefits provided for under the Act, as well as the cost of administering the plan. The remaining half cost of pension benefits is billed to the Province when the pension payments are made.

At the time of the previous appraisal on January 1, 1984, the Actuary advised that amendments to the plan required to bring it in line with pension reform (The Pension Benefits Act) would use up most, if not all, of the Fund's surplus of $37,677,206. In his analysis of actual events between 1983 and 1987, the Actuary reports that these compliance amendments increased the Fund's liabilities by $17.9 million. Other amendments to the plan were made in 1985, the most significant being the provision for pensions to be paid as early as age 55, without any reduction for the age of the retiring teacher. The Actuary has determined that these changes further increased the liabilities of Account A by $30.1 million. Therefore, after the 1985 amendments, the 1984 surplus would have reverted to an unfunded liability in excess of $10 million.

You will note from the Valuation Balance Sheet that Account A ended up with a surplus of $29,412,601. at January 1, 1987. In his analysis of the actual experience of the Fund and its members during the 3 years covered by the report, the Actuary determined that actual investment earnings and salary increases were significantly more favorable to the Fund than had been expected based on previous experience. This positive actual experience more than offset the potential unfunded liability noted above and produced a reasonable margin of surplus for the future.

I am pleased to report that the Actuary has certified that "the assets of Account A, together with the contributions expected to be received from and on behalf of the teachers who are participating in the Fund, are sufficient to provide the benefits promised by the Act as they fall due".

BOARD MEMBERSHIP:

The Board is composed of 7 members appointed by the Lieutenant Governor in Council. 3 are recommended for appointment by The Manitoba Teachers' Society and 2 by The Manitoba Association of School Trustees, with the remaining 2 appointed directly by the government. The names and sources of appointment of the current members of the Board at June 30, 1988 are shown at the beginning of this report.

During the year, Mrs. Stephanie Shumilak and Miss Anne Monk were appointed members of the Board to replace Mr. George Eakin

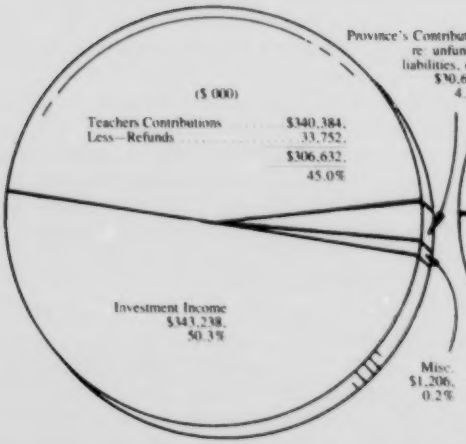
and Mr. David Lerner whose terms of appointment expired on June 30, 1987. I wish to record my appreciation for the contribution that both retiring members made to the administration of the Fund during the time they served as members of the Board.

Glen D. Buhr, C.A.
Secretary-Treasurer
Teachers' Retirement Allowances Fund Board

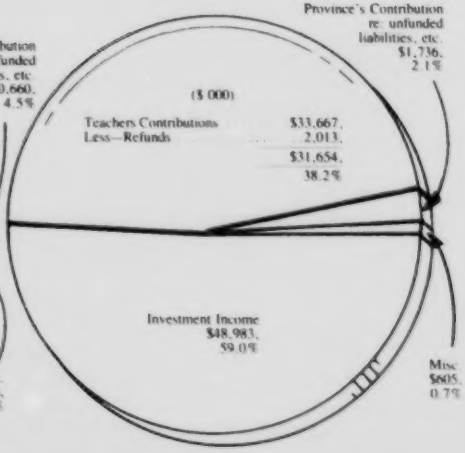
THE TEACHERS' RETIREMENT ALLOWANCES FUND

INCOME

1963 to 1987

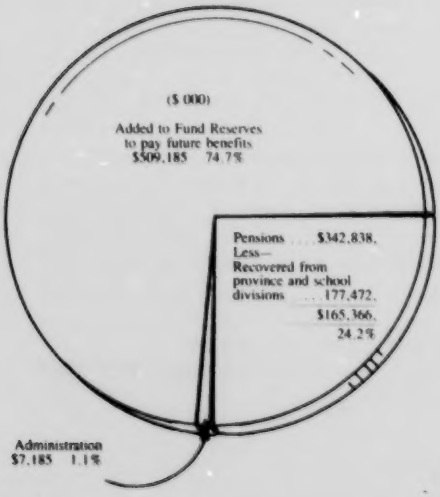


1987

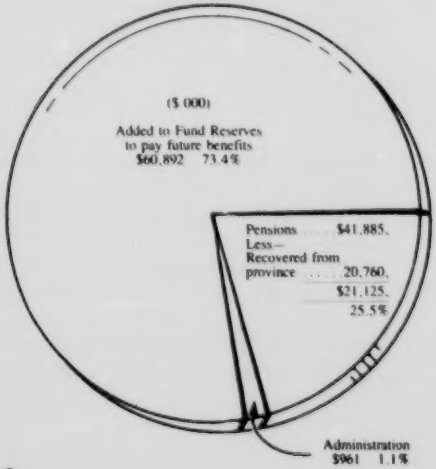


DISPOSITION OF INCOME

1963 to 1987



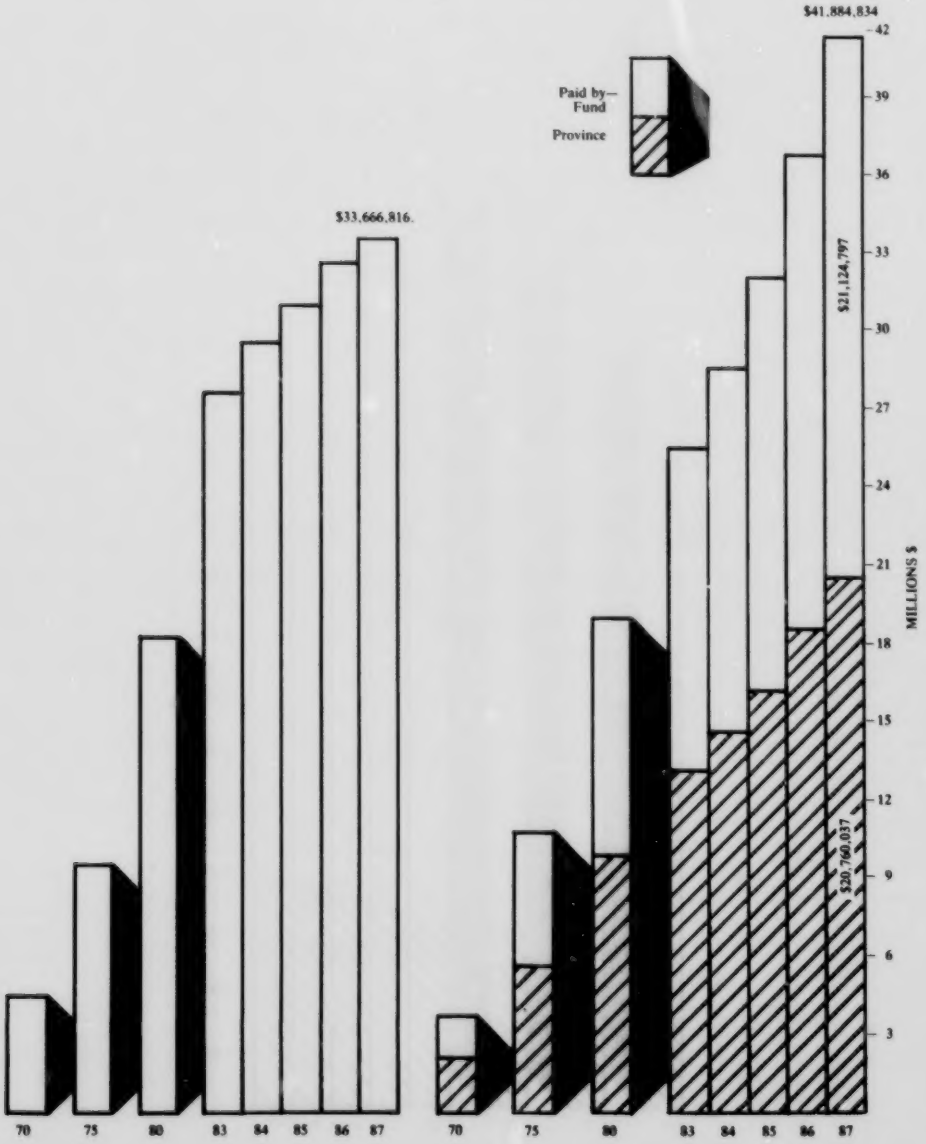
1987



THE TEACHERS' RETIREMENT ALLOWANCES FUND

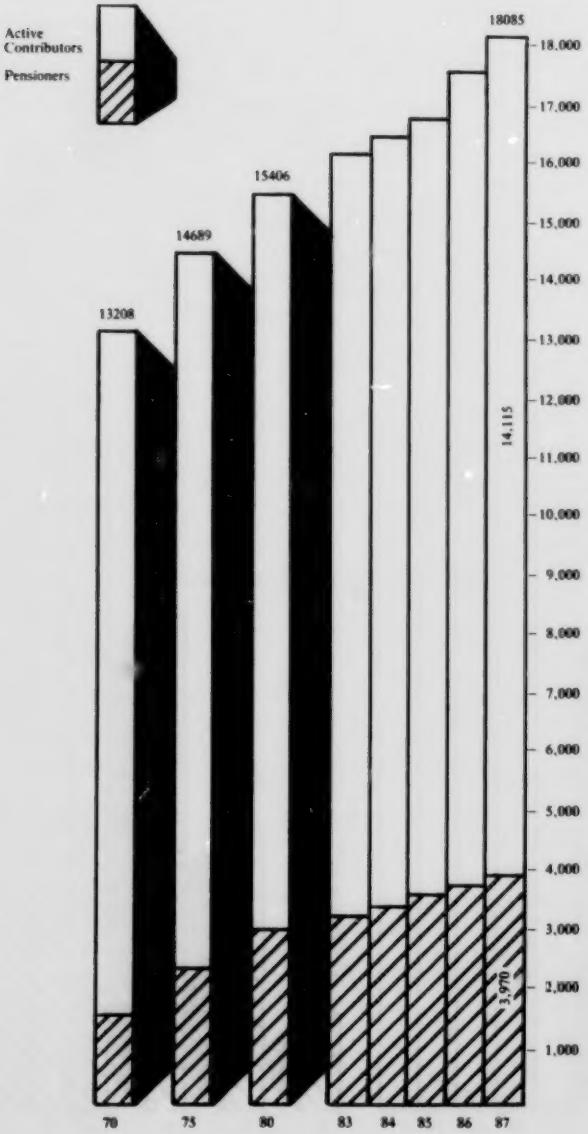
TEACHER CONTRIBUTIONS

PENSION COSTS



THE TEACHERS' RETIREMENT ALLOWANCES FUND

PLAN MEMBERSHIP



TEACHERS' RETIREMENT ALLOWANCES FUND BOARD
COMPARATIVE STATISTICS
1925 - 1987

Year Ended June 30	Net Assets	Income From Investments		Number of Teachers Contributing	CONTRIBUTIONS	
			Approx. Rate of Return %		Teachers	Province of Manitoba
	($ 000)	($ 000)			($ 000)	($ 000)
1925-1948	1,866,	628,	4.00		1,761,	248,
1949-1963	23,225,	5,548,	3.25-4.70	7,750	12,422,	3,830,
1964.....	25,316,	1,144,	4.85	8,700	2,247,	256,
1965.....	28,084,	1,281,	5.00	9,000	3,137,	201,
1966.....	30,387,	1,427,	5.00	9,400	2,962,	538,
1967.....	33,746,	1,574,	5.15	9,750	2,972,	1,017,
1968.....	36,839,	1,735,	5.35	10,650	3,655,	1,227,
1969.....	40,627,	2,008,	5.50	11,150	4,332,	1,394,
1970.....	44,828,	2,320,	5.60	11,650	4,710,	1,578,
6 mos. ended Dec. 31, 1970	46,311,	1,369,	6.00	11,750	1,806,	1,280,
year ended Dec. 31,						
1971.....	52,119,	3,125,	6.19	12,100	5,620,	3,123,
1972.....	60,249,	3,977,	6.40	12,000	6,281,	3,841,
1973.....	68,188,	3,996,	6.53	12,200	6,982,	6,100,
1974.....	77,256,	3,078,	4.43	12,300	7,862,	8,755,
1975.....	89,277,	7,008,	8.94	12,400	9,316,	7,538,
1976.....	101,988,	8,090,	8.91	12,500	10,656,	8,519,
1977.....	117,140,	9,260,	8.91	12,600	12,348,	9,322,
1978.....	137,127,	12,007,	9.91	12,716	14,538,	9,985,
1979.....	159,066,	14,917,	10.60	12,533	16,292,	10,859,
1980.....	184,458,	17,181,	10.53	12,471	18,065,	11,848,
1981.....	222,755,	22,877,	14.02	12,805	25,985,	12,617,
1982.....	272,360,	27,991,	11.96	12,907	26,293,	13,912,
1983.....	316,200,	29,139,	10.45	12,915	27,557,	15,183,
1984.....	360,060,	28,579,	8.86	13,111	29,580,	16,453,
1985.....	414,458,	39,506,	10.85	13,287	31,214,	18,184,
1986.....	475,214	46,935,	11.25	13,763	32,890,	20,423,
1987.....	534,874	47,682,	9.90	14,115	33,667,	22,496,

School Districts ($ 000)	Admin. Expenses ($ 000)	Refunds ($ 000)	Pensions			
			Cost ($ 000)	Being Paid at end of period	Added during period	Deleted during period
--	33,	279,	464,	109	192	83
3,617,	258,	2,630,	5,500,	781	958	286
527,	44,	531,	1,509,	895	148	34
539,	40,	610,	1,750,	960	101	36
287,	39,	803,	2,072,	1,032	102	30
11,	44,	859,	2,251,	1,084	88	36
20,	57,	904,	2,594,	1,155	120	49
12,	56,	990,	2,906,	1,253	138	40
13,	64,	1,116,	3,261,	1,357	143	39
5,	31,	649,	2,310,	1,458	124	23
16,	90,	1,048,	4,955,	1,606	195	47
10,	114,	1,244,	5,670,	1,737	182	51
9,	123,	1,186,	7,076,	1,980	293	50
8,	136,	1,449,	8,957,	2,176	244	48
6,	168,	1,385,	10,661,	2,289	171	58
5,	215,	1,471,	12,388,	2,416	175	48
5,	290,	1,449,	14,018,	2,524	161	53
11,	261,	1,499,	15,489,	2,649	187	62
4,	292,	1,817,	17,212,	2,789	196	56
5,	358,	2,174,	19,050,	2,935	218	72
--	404,	2,191,	20,867,	3,007	143	71
--	493,	2,210,	23,054,	3,117	194	84
--	549,	2,027,	25,519,	3,239	197	75
--	660,	1,980,	28,522,	3,355	213	97
--	709,	1,914,	32,092,	3,542	260	73
--	823,	1,744,	36,771,	3,733	291	100
--	961,	2,013,	41,885,	3,970	330	93

Manitoba

THE TEACHERS' RETIREMENT ALLOWANCES FUND

REPORT OF THE PROVINCIAL AUDITOR'S OFFICE

We have examined the financial statements, being Exhibits A, B and C and Schedules 1 and 2, of The Teachers' Retirement Allowances Fund for the fiscal year ended December 31, 1987. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1987 and the results of its operations for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

F. H. Jackson, CA,
Provincial Auditor

May 20, 1988
Winnipeg, Manitoba

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Balance Sheet
as at December 31, 1987
(with 1986 figures restated for comparison)

A S S E T S

	1987	1986
Investments, Schedule 1	$524,303,273	$466,042,597
Unamortized net adjustment to book value of securities sold before maturity	64,677	92,923
Accrued interest on investments	5,573,218	5,395,267
Investment income receivable	1,656,826	1,511,723
Teachers' contributions receivable from school divisions	2,626,623	2,234,808
Receivable from Government of the Province of Manitoba	566,531	533,577
Computer equipment, at cost less accumulated amortization of $107,486 (1986 - $67,168), Note 2(F)	124,164	104,495
Cash on hand and in bank (book overdraft)	471,561	(307,773)
	$535,386,873	$475,607,617

L I A B I L I T I E S

Accounts payable	$ 512,818	$ 394,089
Money Purchase Account, Note 4, Exhibit C	28,323	19,444
Provision for Fund's share of employees' pension benefits, Note 2(E)	572,862	512,239
	1,114,003	925,772
Benefit Reserves, Exhibit B:		
Reserves for teachers' share of benefits:		
Basic	489,280,194	434,665,462
Pension indexing adjustments	43,354,910	38,563,706
Reserves for employers' share of benefits:		
Manitoba Teachers' Society	1,491,174	1,317,901
Manitoba Association of School Trustees	146,592	134,776
	534,272,870	474,681,845
	$535,386,873	$475,607,617

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Statement of Changes in Benefit Reserves for the year ended December 31, 1987 (with 1986 figures for comparison)

	Reserve for Teachers' Share of Benefits	
	Basic	Pension Indexing Adjustments
Additions:		
Contributions:		
Teachers	$ 28,521,205	$ 5,145,611
Province of Manitoba:		
Share of benefits charged	20,760,037	--
Re: Actuarial liability created by 1970 and 1973 amendments	1,613,300	--
Prior rural service of certain Winnipeg teachers	122,664	--
Manitoba Teachers' Society	--	--
Manitoba Association of School Trustees	--	--
Other - Transfers under reciprocal agreements	1,541,418	--
Transfer from Money Purchase Account, Exhibit C	38,753	--
Total contributions	52,597,377	5,145,611
Investment Income, Schedule 2, Note 2	43,157,765	4,375,479
Total additions	95,755,142	9,521,090
Deductions:		
Pensions paid	37,110,533	4,729,886
Contributions refunded	2,013,279	--
Transfers under reciprocal agreements	1,055,909	--
Administrative expenses	960,689	--
Total deductions	41,140,410	4,729,886
Net increase for year	54,614,732	4,791,204
Balance at beginning of year	434,665,462	38,563,706
Balance at end of year, Exhibit A	$489,280,194	$43,354,910

Exhibit B

1987			1986
Reserve for Employers' Share of Benefits			
Manitoba Teachers' Society	Manitoba Association of School Trustees	Total	Total
$ --	$ --	$ 33,666,816	$ 32,889,796
--	--	20,760,037	18,681,771
--	--	1,613,300	1,613,300
--	--	122,664	127,460
72,541	--	72,541	68,589
--	8,296	8,296	8,106
--	--	1,541,418	687,658
--	--	38,753	135,725
72,541	8,296	57,823,825	54,212,405
134,625	14,042	47,681,911	46,935,383
207,166	22,338	105,505,736	101,147,788
33,893	10,522	41,884,834	36,771,093
--	--	2,013,279	1,743,922
--	--	1,055,909	1,112,877
--	--	960,689	822,969
33,893	10,522	45,914,711	40,450,861
173,273	11,816	59,591,025	60,696,927
1,317,901	134,776	474,681,845	413,984,918
$1,491,174	$146,592	$534,272,870	$474,681,845

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Statement of Money Purchase Accont for the year ended December 31, 1987 (with 1986 figures for comparison)

	1987	1986
Additions:		
Deposits	$ 45,756	$ 33,304
Allocation of interest income net of administration fee	1,876	876
	47,632	34,180
Deductions:		
Transfer to basic reserve, Exhibit B:		
Upon election of annuity	38,753	14,444
For transfer to other plans	--	121,281
	38,753	135,725
Increase (decrease) for the year	8,879	(101,545)
Balance at beginning of year	19,444	120,989
Balance at end of year, Exhibit A	**$ 28,323**	**$ 19,444**

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Summary of Investments as at December 31, 1987

	Par Value	Book Value
Fixed income longer term investments, Note 2(B)(i):		
Bonds and other debt instruments issued by, or guaranteed by, the following:		
Canada	$ 58,683,625	$ 46,682,414
Province of Alberta	165,000	164,917
Province of British Columbia	463,000	461,450
Province of Manitoba	23,335,000	23,308,535
Province of New Brunswick	915,000	912,780
Province of Newfoundland	1,050,000	1,044,780
Province of Nova Scotia	270,000	268,616
Province of Ontario	15,022,375	9,643,925
Province of Prince Edward Island	740,000	732,936
Province of Quebec	560,000	559,046
Province of Saskatchewan	700,000	697,865
Hospital Districts	6,365,000	6,353,508
Municipal corporations	10,530,362	10,511,934
Corporations	75,659,945	73,947,823
	194,459,307	175,290,529
Mortgages:		
Insured:		
National Housing Act (Canada)	110,708,583	110,202,454
Other	4,570,561	4,519,435
Uninsured	15,346,505	15,304,847
	130,625,649	130,026,736
Total fixed income longer term investments at amortized cost		305,317,265
Less: Provision for capital losses		2,322,194
Net fixed income longer term investments, carried forward		$302,995,071

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Summary of Investments as at December 31, 1987

	Book Value
Brought Forward	$302,995,071
Non-fixed income investments, Note 2(B)(ii):	
Real estate equity investments:	
Common shares	29,515,995
Participating bonds	43,027,120
Qualifying shares	60,000
Total real estate equity investments, at appraised values	72,603,115
Less: Provision for valuation declines	2,500,534
Net real estate equity investments	70,102,581
Direct natural resource investments:	
Shares and notes, at cost plus interest in retained earnings	18,223,935
Investment in subsidiary, Note 3	3,793,825
Total direct natural resource investments	22,017,760
Venture capital equity investments, at appraised values	17,769,456
Less: Provision for valuation declines	133,000
Net venture capital equity investments	17,636,456
Real estate acquired through mortgage defaults	5,301,405
Total non-fixed income investments	115,058,202
Short term notes, at cost	106,250,000
Total Investments, Exhibit A	$524,303,273

Schedule 2

THE TEACHERS' RETIREMENT ALLOWANCES FUND
Summary of Investment Income
for the year ended December 31, 1987
(with 1986 figures for comparison)

	1987	1986
Fixed income longer term investments, Note 2(B)(i):		
Interest	$29,199,393	$28,441,356
Amortization of discounts and premiums	1,577,462	927,614
	30,776,855	29,368,970
Less: Allocation to provision for capital losses	714,640	601,650
	30,062,215	**28,767,320**
Non-fixed income investments, Note 2(B)(ii):		
Real estate equity:		
Interest and dividends	5,781,669	4,953,529
Adjustment due to changes in book value of investments	2,371,071	437,958
	8,152,740	**5,391,487**
Direct natural resources:		
Income from subsidiary	309,671	579,721
Dividends	615,745	659,560
Adjustment due to change in book value of subsidiary	(1,301,100)	--
	(375,684)	**1,239,281**
Venture capital equity:		
Income	890,569	1,894,068
Adjustments due to changes in book value of investments	(360,500)	556,500
	530,069	**2,450,568**
Mortgage investment corporation:		
Dividends	**57,080**	--
Canadian Commercial Bank:		
Adjustment due to changes in book value of investments	--	(299,995)
	--	**(299,995)**
Income from real estate acquired through mortgage defaults	**507,210**	**603,946**
Short term notes:		
Interest	**8,805,771**	**8,834,164**
Total investment income	47,739,401	46,986,771
Allocated to:		
Provision for Fund's share of employees' pension benefits	(55,614)	(50,512)
Money Purchase Account, net of administration fee	(1,876)	(876)
Net Investment Income, Exhibit B	**$47,681,911**	**$46,935,383**

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Notes to the Financial Statements for the year ended December 31, 1987

1. Nature of the Orgnization:

The Teachers' Retirement Allowances Fund Board was originally constituted under an Act passed at the 1925 session of the Legislature and is responsible for administering the current legislation, The Teachers' Pensions Act. The Act provides for the establishment and maintenance of a pension plan and fund to provide retirement security for all public school teachers in Manitoba.

The Teachers' Retirement Allowances Fund primarily consists of contributions made by teachers and provides funds to meet half the cost of retirement benefits.

2. Significant Accounting Policies:

The significant accounting policies are summarized below:

(A) The Fund follows the accrual basis of accounting in all cases where the amount of the accrual is material, specifically teacher contributions and investment income.

(B) The investment valuation and income measurement policies consist of:

(i) Fixed income investments:

Income on fixed income investments includes the net effect of amortization of discounts and premiums on securities held as well as amortization of book losses on bonds sold before maturity in order to acquire other securities for an increase in net yield.

One quarter of 1% of the weighted average monthly book value during the year of fixed income longer term investments is allocated to a provision for capital losses and any actual losses realized are charged against the provision.

(ii) Non-fixed income investments:

Where valuation information is available, which is considered by management to be reliable, equity invest

ments are adjusted to reflect the change in their values. One-half of any unrealized appreciation is taken into income in the year and the balance is credited to the provision for valuation declines. In any year that the valuations decrease, the whole of the decrease is charged to the provision. When an investment is sold, the balance in the provision pertaining to the investment sold is transferred to income.

(a) Investment in subsidiary:

The investment in subsidiary is accounted for on the equity method. On this basis the net change in the equity of the wholly owned subsidiary, Teachers' Retirement Resources Investment Corporation of Manitoba Inc., is recognized as income or expense to the Fund and changes the carrying value of the investment.

(b) Real estate acquired through mortgage defaults:

Properties taken over by the Fund as a result of mortgage defaults are recorded at cost. These properties presently provide the Fund with rental income and will be sold when economic conditions are favorable.

(C) Pension indexing adjustment reserve:

An allocation of teachers' contributions is made to the reserve in accordance with the Act. Interest is allocated to the reserve on the basis of the average rate earned by the Fund on all fixed income investments in the Fund.

Cost of living pension adjustment payments are calculated effective July 1 in each year and are based on the lesser of the increase in the Canadian Consumer Price Index for the preceding calendar year, or the amount, determined by an actuarial review, that could be paid without resulting in an unfunded liability in the reserve.

(D) Actuarial valuation:

The financial statements do not reflect the financial position of the Fund on an actuarial valuation basis. In accordance with the Act, an actuarial valuation and report is required every 3 years. The most recent actuarial report as at January 1, 1987, disclosed a surplus of $29,412,601 compared to a surplus of $37,677,206 at January 1, 1984.

(E) Provision for Fund's share of employees' pension benefits:

A portion of the Fund was allocated to provide for the Fund's accrued actuarial liability based on an actuarial report at December 31, 1980. The report provided a method of allocating funds to the Provision each year between triennial valuations to recognize the annual increase in this liability and for adjustments to be made for actual experience at each valuation. Transactions affecting the Provision in 1987 and 1986 were as follows:

	1987	1986
Balance, beginning of year.....	$512,239	$439,233
Charged to Administrative expenses		
Adjustment re Actuarial Valuation at December 31, 1986.....	(28,639)	--
Required employer contributions...	33,648	23,773
Interest allocated from investment income.....	55,614	50,512
	572,862	513,518
Less: Fund's share of pension payments.....	--	1,279
Balance, end of year.....	**$572,862**	**$512,239**

(F) Computer Equipment:

Computer equipment and software acquisitions are capitalized and amortized on a straight line basis over five years.

3. Investment in Subsidiary:

The Teachers' Retirement Resources Investment Corporation of Manitoba Inc. (TRRICMI), a wholly owned subsidiary of the Fund, was incorporated on July 13, 1983, for the purpose of participating in the energy resource sector on behalf of the Fund.

The Fund's investment in TRRICMI is comprised of:

	1987	1986
Shareholder's advances.....	$4,785,154	$6,525,816
Capital stock.....	100	100
Retained earnings (deficit).....	(991,429)	579,760
Investment in subsidiary.....	**$3,793,825**	**$7,105,676**

Subsequent to the year end, and before preparation of these statements, it was determined that, largely because of the accounting treatment followed in the past, the carried value of the Fund's investment in TRRICMI was significantly in excess of realizable value. Accordingly, the carried value of this investment has been written down by $1,301,100 to $3,793,825, and the book loss has been applied as an adjustment of 1987 investment income. Also, after the year end, the investments held in TRRICMI were transferred to the Fund and exchanged for shares of an equivalent value in a different pension resource corporation (Exchange Resources Ltd.).

4. Money Purchase Account:

The Teachers' Retirement Allowances Fund Board has established rules for the Money Purchase Account in accordance with Section 74 of The Teachers' Pensions Act. Under these rules, eligible individuals may transfer to the Money Purchase Account an amount from the Fund, the pension plan of a prior employer, or a locked-in registered retirement savings plan, to provide for an annuity or other settlement in the future. The Money Purchase Account is accounted for separately by the Board. The Board charges an annual administrative fee of 1% of the average value of the assets in the plan. The accumulated value of the eligible individual's account, upon election of an annuity under the Money Purchase Account, is transferred to the Basic Benefit Reserve.

TEACHERS' RETIREMENT ALLOWANCES FUND

Account A
Valuation Balance Sheet as at January 1st, 1987

ASSETS

Invested Assets (Note A)		
Fixed Income (at adjusted amortized cost)	$362,649,394	
Equities (at adjusted cost, equity, or adjusted appraised value)	33,933,129	
Real Estate Equities (at adjusted appraised value)	74,246,402	$470,828,925
Less:		
Amount applicable to:		
Pension Adjustment Account	$ 38,563,706	
Money Purchase Account	19,444	
Reserve for employer's shares of benefits		
- Manitoba Teachers' Society	1,317,901	
- Manitoba Association of School Trustees	134,776	
Reserve for Fund's share of employees' pension benefits	512,239	40,548,066
		$430,280,859
Outstanding Contributions and Other Accounts Receivable (Note B)		4,280,108
Computer Equipment at Cost		104,495
Value of Future Payments due from the Province under subsection 40(10) and 40(11) (Note C)		18,637,600
Value of Future Payments due from the Province under Section 51 (Note D)		836,400
Value of Future Contributions expected to be received from present teachers		407,727,500
Value of Future Contributions expected to be received from future disabled teachers		20,178,800
TOTAL ASSETS		$882,045,762

LIABILITIES

Value of Liabilities in respect of Current Benefits (Note E)			
- healthy retirement pensions		$113,744,500	
- disabled retirement pensions		1,119,400	
- survivor's pensions		2,979,300	
- balance of guarantee		34,600	
- Winnipeg deferred pensions and war service pensions		20,100	$117,897,900
Value of Liabilities in respect of Future Benefits expected to be provided for service to December 31st, 1986 by present teachers			
- healthy retirement pensions	$262,529,600		
less: reductions re: Winnipeg service (Note F)	1,432,800	$261,096,800	
- retirement pensions for disabled teachers (Note G)		22,339,100	
- cash settlements and annuities on death		5,196,000	
- cash settlements and deferred pensions on termination		31,073,500	
- value of 50% tests		116,600	319,822,000
Value of Liabilities in respect of Future Benefits expected to be provided for service on and after January 1st, 1987 by present teachers			
- healthy retirement pensions		302,601,600	
- retirement pensions for disabled teachers (Note G)		46,216,300	
- cash settlements and annuities on death		12,462,300	
- cash settlements and deferred pensions on termination		43,531,200	
- value of 50% tests		600,100	405,411,500
Value of additional payments as a result of Reciprocal Agreements			2,890,500
Value of Liabilities in respect of Service to be Reinstated			215,300
Value of Future Transfers from Account A to Account B under Section 69 (Note H)			2,202,200
Miscellaneous Liabilities (Note I)			2,166,661
Provision for Administrative Expenses in 1987, 1988 and 1989			2,027,100
TOTAL LIABILITIES			$852,633,161
SURPLUS			**$ 29,412,601**

The following notes provide an explanation of certain items which appear on the Valuation Balance Sheet:

(A) Invested Assets.

The Invested Assets were obtained from the Auditor's Report as at December 31, 1986. These amounts were allocated as follows:

Fixed Income Investments		
- at amortized cost		$255,027,975
- provision for capital losses		(2,364,909)
- unamortized adjustment to book value of securities sold before maturity		92,923
- accrued interest		5,395,267
- short-term notes at cost		105,200,000
- bank overdraft		(701,862)
Adjusted Amortized Cost		$362,649,394
Equity Investments		
Direct natural resource investments:		
- shares and notes at cost plus interest in retained earnings	$15,260,826	
- investment in subsidiary at equity value	7,105,676	$ 22,366,502
- venture capital equity investments at appraised values	$10,811,106	
- provision for valuation decline	(556,500)	10,254,606
- mortgage investment corporation shares at cost		1,312,021
Total value		$ 33,933,129
Real Estate Equity Investments		
- at appraised value	$69,770,098	
- provision for valuation declines	(1,554,684)	$ 68,215,414
- real estate acquired through mortgage defaults		6,030,988
Adjusted Appraised Value		$ 74,246,402
Total Invested Assets		$470,828,925

Reconciliation of Total of Invested Assets Shown in this Report to Total of Investments Shown in Financial Statements

Total of Invested Assets shown in this Report		$470,828,925
Less: Amounts shown separately in financial statements		
- unamortized adjustment to book value of securities sold before maturity	$ 92,923	
- accrued interest	5,395,267	
- bank overdraft	(701,862)	(4,786,328)
Total of Investments shown in financial statements		$466,042,597

(B) Outstanding Contributions and Other Accounts Receivable.

Investment income receivable	$ 1,511,723
Balance of teacher and School Division contributions owing by School Divisions	2,234,808
Receivable from Province of Manitoba	533,577
Total	$ 4,280,108

These amounts were also obtained from the Auditor's Report as at December 31st, 1986.

(C) Value of Future Payments due from the Province under subsection 40(10) and 40(11).

The present values of the annual payments specified in the Act have been calculated by discounting each future payment from the date it is scheduled to be made back to January 1st, 1987, at the rate of 9.25% per year.

Present value of future payments under subsection 40(10)	$ 4,545,900
Present value of future payments under subsection 40(11)	14,091,700
Total	$18,637,600

(D) Value of Future Payments due from the Province under Section 51.

The Province pays the cost of providing an annual pension of $50. per year of service to each former Winnipeg teacher in respect of any service in a school district or school area outside of the Winnipeg district, prior to his joining The Winnipeg Teachers' Pension Fund.

The value of the future payments to be made by the Province is equal to the value of these pensions. This value was calculated as an amount equal to $836,400. as at January 1st, 1987.

(E) Value of Liabilities in respect of Current Benefits.

These values include the value of all supplementary pensions as well as the value of the pensions in payment as at December 31st, 1986. Pension adjustments granted since 1977 are excluded as the Pension Adjustment Account is responsible for these.

(F) Reduction in Value of Retirement Pensions re: Winnipeg Service.

Under the former Winnipeg Pension By-law, teachers contributed to a Government Annuity Plan. As a result the Fund does not have any assets in respect of these contributions.

Any pension provided from the Fund is reduced by an amount equivalent in value to the contributions which the Fund would have received had contributions been made to the Fund instead of the Government Annuity Plan.

The reduction in the liabilities of $1,432,800. is equal to the additional assets which it is estimated Account A would have at the valuation date if Winnipeg teachers had contributed to the Fund throughout their service.

(G) Retirement pensions for disabled teachers is the value of the pensions expected to be paid to those participants who became disabled prior to retirement.

(H) Value of Future Transfers from Account A to Account B under Section 69.

As part of the changes made to the Act in 1985, Account A is required to pay the full cost of the change to the retirement provisions for the first 5 years. The value shown represents the present value of the remaining credits Account B will receive in 1987, 1988 and 1989 for the charges that are automatically made to Account A in respect of this change.

(I) Miscellaneous Liabilities.

Voluntary contributions made by teachers, plus interest	$2,079,028
Refund of contributions due, but not paid as at January 1st, 1987	87,633
Total	$2,166,661